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Attorneys for Franklin H. Menlo, co-trustee  
of the Franklin Menlo Irrevocable Trust  
established March 1, 1983

**UNITED STATES BANKRUPTCY COURT**

**CENTRAL DISTRICT OF CALIFORNIA**

**LOS ANGELES DIVISION**

In re

LESLIE KLEIN,

Debtor.

Case No. 2:23-bk-10990-SK

Chapter 11

**REPLY OF MENLO TRUST TO  
TRUSTEE'S RESPONSE AND DEBTOR'S  
JOINDER TO MOTION FOR RELIEF  
FROM AUTOMATIC STAY UNDER 11  
U.S.C. § 362 (ACTION IN  
NONBANKRUPTCY FORUM)**

Date: August 9, 2023

Time: 9:00 a.m.

Place: Courtroom 1575  
255 East Temple Street  
Los Angeles, CA 90012

Judge: Hon. Sandra R. Klein

**TO THE HONORABLE SANDRA R. KLEIN, UNITED STATES BANKRUPTCY  
JUDGE, THE DEBTOR, AND HIS COUNSEL; TO CHAPTER 11 TRUSTEE, BRADLEY  
SHARP, AND ALL OTHER INTERESTED PARTIES:**

Franklin H. Menlo, co-trustee of the Franklin Menlo Irrevocable Trust established March 1,  
1983 ("Menlo Trust"), submit the following Reply to Chapter 11 Trustee, Bradley Sharp's  
("Trustee") Response [Dkt. No. 196] and Debtor, Leslie Klein's ("Debtor") joinder [Dkt. No. 215]

1 to the “Motion For Relief From Automatic Stay Under 11 U.S.C. § 362 (Action In Nonbankruptcy  
2 Forum)” (“Motion”) [Dkt. No. 84] filed by the Menlo Trust.<sup>1</sup>

3 **I. Relevant Background**

4 Despite knowing he was well over the threshold debt limit for such cases, Debtor, Leslie  
5 Klein commenced this case under Subchapter V on February 22, 2023. [Dkt. No. 1.] The Debtor  
6 later amended his Petition to proceed as a “standard” Chapter 11 case. On March 10, 2023, the  
7 Office of U.S. Trustee (“OUST”) filed a statement regarding the Debtor’s non-compliance with  
8 numerous requirements under the Bankruptcy Code, Bankruptcy Rules, and certain notices and  
9 guidelines promulgated by the UST. [Dkt. No. 42.] In the nearly five months since his initial  
10 filing, the Debtor has hired and fired two attorneys and recently substituted his now third attorney-  
11 of-record into the case. On August 1, 2023, the Chapter 11 Trustee filed his Monthly Operating  
12 Report indicating the Debtor’s lack of cooperation with the Trustee’s efforts to administer the  
13 estate and his further non-compliance with numerous requirements under the Bankruptcy Code.  
14 [Dkt. No. 228.]

15 On April 25, 2023, the Menlo Trust filed its instant Motion for Relief from Automatic Stay  
16 Under 11 U.S.C. § 362 [Dkt. No. 84] seeking relief to allow the Superior Court of California,  
17 County of Los Angeles (“Probate Court”) to enter a final judgment and two address two related  
18 issues, being whether the Debtor should be surcharged for professional fees and the amount of  
19 prejudgment interest, if any, to be added to the final judgment. As a precursor to the entry of final  
20 judgment, the Probate Court adopted the Probate Referee’s Report and Recommendation (“R &  
21 R”) finding that the Debtor, as trustee of the Menlo Trusts had embezzled millions of dollars from  
22 the trusts and committed other serious breaches of fiduciary duties.

23 On May 17, 2023, the Court entered an order directing the OUST to appoint a Chapter 11  
24 Trustee. [Dkt. No. 142.] On May 24, 2023, the Court entered an order approving the appointment  
25 of Bradley Sharp as the Chapter 11 Trustee. [Dkt. No. 155.] Mr. Sharp accepted his appointment  
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27 <sup>1</sup> This Reply does not seek to address the arguments set forth in the Debtor’s previously filed  
28 Opposition [Dkt. No. 104] to the Menlo Trusts Motion for Relief from Stay (“Motion”). The  
Menlo Trust filed a separate Reply to the referenced Opposition on May 10, 2023. [Dkt. No. 121.]

1 as Trustee the following day. [Dkt. No. 156.]

2 At the hearing on the Menlo Trust's Motion for Relief heard on May 17, 2023, the Court  
3 continued the hearing to allow time for the Chapter 11 Trustee to take a position on the Motion.  
4 On July 19, 2023, the Chapter 11 Trustee filed his Response seeking another continuance of the  
5 Motion. [Dkt. No. 196.] Thereafter, the Debtor filed a joinder to the Trustee's Response. [Dkt.  
6 No. 215.]

7 **II. Argument:**

8 While Creditor, Menlo Trusts certainly appreciates the Trustee's role in this case, the  
9 granting of limited relief to allow the Probate Court to enter final judgment and rule on adjunct  
10 issues (i.e., surcharge, amount of prejudgment interest) will not interfere with the Trustee's efforts  
11 to gather information or make an informed decision regarding the Menlo Litigation. Notably, the  
12 Trustee's Response offers little to show exactly how the limited relief sought by the Menlo Trusts  
13 would hinder his efforts in that regard. To the contrary, the sought relief will not allow the Menlo  
14 Trust to enforce any judgment entered by the Probate Court, or seek any remedies, nor does the  
15 relief prevent or limit the Trustee's efforts to investigate, marshal, or administer estate assets.

16 This request for a second continuance should be balanced against the prejudice caused by  
17 such a delay: It is no overstatement to say that the Menlo Trust is a victim – a victim of the  
18 Debtor's multimillion-dollar embezzlement scheme, which is causing *current* and *unmitigated*  
19 harm (both financial and emotional) to the trust beneficiaries. Thus, while another continuance of  
20 the hearing on the Motion may appear innocuous on its face, it will cause unnecessary stress and  
21 heartache to the human beneficiaries who rely on the Menlo Trust to maintain their financial  
22 independence. Moreover, a continuance plays right into the Debtor's hands: From the very start of  
23 this case, the Debtor has done everything possible to obstruct and delay its progress, including  
24 initially misfiling this case as a Subchapter V; the filing of Petitions/Schedules containing gross  
25 misstatements and omissions, requiring several amendments; the serial hiring and filing of  
26 bankruptcy counsel, and now his apparent active hindrance of the Trustee's efforts to administer  
27 estate assets. The Court should deny the Debtor yet another gift of delay and allow the  
28 beneficiaries to liquidate their claim to a final judgment.

1 Finally, beyond bringing finality to the nature and amount of the Menlo Trust's claim –  
2 granting relief from stay will have the collateral benefit of preventing this Court from having to  
3 rule on specialized areas of probate law, and the factual and legal issues already tentatively  
4 decided by the Probate Court in the underlying 11-year-long litigation. Such finality will assist  
5 this court in deciding dispositive motions in this case and in the Menlo Trusts pending adversary  
6 action to establish whether their claim is subject to discharge.

7 Hence, the Court should deny the request for another continuance and grant the limited  
8 relief from stay set forth in the Motion.

9 **III. Conclusion:**

10 For the reasons stated herein, the Menlo Trust requests that this Court refuse to continue  
11 this motion a second time and grant relief from stay to allow the Probate Court to enter final  
12 judgment and rule on matters collateral to the entry of judgment, as set forth in the Motion.

13  
14  
15 DATED: August 2, 2023

Respectfully submitted,

16 **CHORA YOUNG & MANASSERIAN LLP**

17  
18 By: /s/ Paul P. Young

19 Paul Young

20 Nikko S. Stevens

21 Joseph C. Chora

22 Attorneys for Franklin H. Menlo, co-trustee of the  
23 Franklin Menlo Irrevocable Trust established  
24 March 1, 1983  
25  
26  
27  
28

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

650 Sierra Madre Villa Ave., Ste. 304, Pasadena, CA 91107

A true and correct copy of the foregoing document entitled (*specify*): **REPLY OF MENLO TRUST TO TRUSTEE'S RESPONSE AND DEBTOR'S JOINDER TO MOTION FOR RELIEF FROM AUTOMATIC STAY UNDER 11 U.S.C. § 362 (ACTION IN NONBANKRUPTCY FORUM)** will be served or was served (**a**) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (**b**) in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On (*date*) August 2, 2023, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

See Attached.

☒ Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:**

On (*date*) August 2, 2023, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

**Debtor**

Leslie Klein  
322 N. June Street  
Los Angeles, CA 90001

**Debtor's Counsel**

Michael Kogan  
KOGAN LAW FIRM, APC  
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Los Angeles, California 90064

☒ Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (*date*) August 2, 2023, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

Honorable Sandra Klein  
United States Bankruptcy Court  
Edward R. Roybal Federal Building  
255 E. Temple Street, Suite 1582  
Los Angeles, CA 90012

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

August 2, 2023  
Date

Jaclyn Poon  
Printed Name

/s/ Jaclyn Poon  
Signature

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF) (continued):**

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13 **2. SERVED BY UNITED STATES MAIL (continued):**

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